

ORIGINAL

OPEN MEETING

MEMORANDUM



0000170454

TO: THE COMMISSION

FROM: Utilities Division

DATE: May 18, 2016

RE: IN THE MATTER OF THE APPLICATION OF GRAHAM COUNTY ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF THE 2016 REST IMPLEMENTATION PLAN, RES TARIFF, AND NET METERING TARIFF (DOCKET NO. E-01749A-15-0375)

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Arizona Corporation Commission  
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*KE*

On November 3, 2015, Graham County Electric Cooperative, Inc. ("GCEC" or "Cooperative") filed an application for approval of its 2016 Renewable Energy Standard and Tariff ("REST") Implementation Plan including a revised Net Metering Tariff ("Schedule NM"). GCEC's 2015 REST Implementation Plan was approved in Decision No.74874 (December 22, 2014).

**2016 REST PLAN**

*SunWatts Rebate Program*

The SunWatts Rebate Program pays up-front incentives ("UFIs") to members for installing photovoltaic, small wind, solar water heating, and solar daylighting systems. Subject to available budget funds, GCEC will pay a UFI of \$0.15 per installed watt for solar and wind systems. Solar water heating systems will be eligible for a UFI equal to \$0.75 per kWh saved for the first year of savings, and solar daylighting systems will be eligible for \$0.18 per kWh saved for the first year of savings. Projects receiving a UFI are limited to a maximum incentive of \$1,500, and GCEC will own all the renewable energy credits ("RECs") from a project receiving a UFI for its operational life. Table 1 summarizes the history of incentives for GCEC and the proposed 2016 incentives.

**Table 1**  
**GCEC Up-Front Incentive History**

	<u>2010 - 2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Proposed 2016</u>
Solar Electric and Wind	\$3.00 per Watt up to 40% of total cost	\$1.00 per Watt up to 30% of total cost	\$0.35 per Watt up to \$3,500	\$0.15 per Watt up to \$1,500	\$0.15 per Watt up to \$1,500
Solar Water Heating	\$0.75 based on first-year kWh output	\$0.75 based on first-year kWh output	\$0.75 based on first-year kWh output up to \$3,500	\$0.75 based on first-year kWh output up to \$1,500	\$0.75 based on first-year kWh output up to \$1,500
Solar Daylighting	\$0.18 based on first-year kWh output	\$0.18 based on first-year kWh output	\$0.18 based on first-year kWh output up to \$3,500	\$0.18 based on first-year kWh output up to \$1,500	\$0.18 based on first-year kWh output up to \$1,500

As approved in the 2015 REST Plan, GCEC will accept only the customer-owned system model and not the leased system model for a UFI. GCEC will continue to support the Willcox Greenhouse geothermal project which is a 10-year performance-based incentive approved in 2010.

Projects would be rebated on a first-come, first-served basis until funding is exhausted. Projects must be approved before construction, and funds must also be available before the systems are approved. Eligible customers may be placed on a waiting list until additional funding is available. When funding is available and the project is approved for construction, rebates will be paid to the customer following a final inspection of the system. System installations are required to be performed by a licensed renewable energy contractor or electrician. In the case of solar water heaters, a licensed plumber can be used. If local conditions dictate, GCEC may allow self-installations as long as the customer has the installation inspected and verified by a licensed contractor.

GCEC expects that the rebate program and the Willcox Greenhouse will support the installation of approximately 318 kW of new qualifying renewable technologies in 2016. The proposed budget would support the installation of 17 to 20 new solar electric or wind systems.

#### **THE SUNWATTS LARGE-SCALE PURCHASE POWER CONTRACT AND GENERATING PROGRAM**

The SunWatts Large-Scale program would have GCEC, on its own or in partnership with others, to participate and assist in the development of large-scale renewable resources, either through purchase power agreements or by construction of utility-owned resources. Although current plans do not include a large-scale purchase power project, GCEC would continue to review potential partnerships with its all-requirement power provider Arizona Electric Power Cooperative to install large-scale purchase power generation. GCEC requests authority from the Commission to transfer unused funds between programs in the event GCEC is able to contract large-scale solar. GCEC's utility-owned PV systems [previously approved in Decision No. 73631 (January 31, 2013), Decision No. 74160 (October 25, 2013), and Decision No. 74874 (December 22, 2014)] have been fully implemented.

#### **PV FOR GOVERNMENT, SCHOOLS AND NONPROFITS PROGRAM**

GCEC would encourage installation of renewable energy systems on government, school, and nonprofit buildings within its service territory by offering UFIs to third-party developers or those with access to stimulus funding interested in installing renewable systems on such structures.

The amount of the UFI would be negotiated with the entity requesting funds from the project based on the cost of the proposed system and the available funding. Although no customers have yet applied for this program, GCEC believes that it can do a better job of promoting the program. GCEC wants the flexibility to negotiate a UFI that would be attractive enough for an organization to take advantage of the program.

## ADVERTISING AND PROMOTION

SunWatts programs are promoted in a variety of media, for example: bill inserts and stories in monthly newsletters; counter cards and posters; and participation at local events, such as the GCEC annual meeting and county fairs. Additionally, a SunWatts promotional presence outlining GCEC programs is maintained on its website at [www.gce.coop](http://www.gce.coop).

## ESTIMATED RESULTS

Based on the programs proposed and projects currently in place, GCEC anticipates a full year's operation would generate approximately 2,630 MWh of distributed renewable energy.

## BUDGET

GCEC's actual spending in 2014 and 2015 and proposed budgets for 2015 and 2016 are shown in Table 2 below.

The REST funds expected to be collected in 2016 is \$236,000. GCEC estimates that it will rollover approximately \$139,776 from the 2015 budget to 2016. With the rollover balance included, the total budget for 2016 would be \$375,776. GCEC plans to use the rollover amount to fund additional projects in the PV for Government, Schools, & Non-Profits category.

**Table 2**  
**GCEC REST Budgets and Expenditures**

	ACTUAL		BUDGETS	
	2014	2015	2015	2016
<b>REST Funds Collected</b>	\$236,683	\$234,630	\$245,000	<b>\$236,000</b>
Rebate Program	\$61,452	\$23,447	\$118,500	\$26,400
Residential DG	\$52,947	\$9,888	\$101,500	\$15,000
Commercial DG	\$8,505	\$13,559	\$17,000	\$11,400
L-S Purchase Power & Generation Program	\$92,614	\$150,130	\$100,000	0
PV for Government, Schools, & Non-Profits	0	0		\$181,000
Advertising	\$42	\$49	\$2,000	\$5,000
Administration	\$30,707	\$25,595	\$24,500	\$23,600
<b>Balance rollover from previous years</b>				<b>\$139,776</b>
PV for Government, Schools, & Non-Profits				\$139,776
<b>Total Spending/Budget</b>	<b>\$184,815</b>	<b>\$199,221</b>	<b>\$245,000</b>	<b>\$375,776</b>

## RENEWABLE ENERGY STANDARD TARIFF

GCEC is not proposing to change the current surcharge or monthly maximums for 2016. The current surcharges and monthly maximums are shown in Table 3.

**Table 3**  
**GCEC Current Surcharges and Maximums**

Customer Class	Current Surcharges (per kWh)	Current Maximums (per month)
Residential	\$0.000900	\$2.00
Non-Residential	\$0.009477	\$74.10
Government & Agricultural	\$0.001663	\$24.70
Government & Agricultural with metered demand is 3,000 kW or more for 3 consecutive months	\$0.001663	\$74.10
Non-Residential with metered demand is 3,000 kW or more for 3 consecutive months	\$0.009477	\$222.30

### **FLEXIBILITY OF FUNDS**

GCEC is requesting Commission approval to transfer unused funds between programs in the event that GCEC is able to contract for large-scale solar. Staff recommends the following latitude for shifts in funding, which conforms to that approved for other cooperatives:

- that no more than 15 percent of a program's approved budget be affected by the shift;
- that GCEC notify Staff of any plan to shift funds no less than 60 days prior to implementing the shift;
- that, if Staff notifies GCEC in writing that it is opposed to a shift in funds, no shift would occur unless GCEC first secures a Commission order authorizing the shift; and
- within 60 days following any funds shift, GCEC must submit to Staff a revised budget including the shift of funds.

### **NET METERING TARIFF AND AVOIDED COST UPDATE**

The proposed revision to the Net Metering Tariff consists of a reduction in the avoided cost rate from \$0.02906 per kWh to \$0.02410 per kWh. The Cooperative supplied Staff with the calculations used to arrive at the proposed new avoided cost. The calculation and result are reasonable.

### **COMPLIANCE REQUIREMENTS**

GCEC did not use any RECs not owned by the utility to comply with the Commission's REST rules in 2015.

Per A.A.C. R14-2-1812, GCEC is required to file an annual compliance report. Staff recommends that, beginning in 2016, GCEC file its annual REST compliance reports in a docket to be opened by Staff.

## RECOMMENDATIONS

Staff recommends that GCEC's proposed 2016 REST Implementation Plan be approved.

Staff recommends that GCEC be allowed the flexibility to transfer unused funds between programs as described herein.

Staff recommends that the avoided cost rate be set at \$0.02410 per kWh, effective on the first day of the month following the effective date of the Decision in this case.

Staff recommends that GCEC's Customer Self-Directed Tariff and Renewable Energy Standard Tariff, currently on file with the Commission, remain in effect until further Order of the Commission.

Staff recommends that GCEC should file in Docket Control a revised Net Metering Tariff, consistent with the Decision in this case, within 15 days of the effective date of the Decision.

Staff recommends that, beginning in 2016, GCEC file its annual REST compliance reports in a docket to be opened by Staff.



for  
Thomas M. Broderick  
Director  
Utilities Division

TMB:JJP:red\RRM

ORIGINATOR: Jeffrey Pasquinelli

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BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE  
Chairman  
BOB STUMP  
Commissioner  
BOB BURNS  
Commissioner  
TOM FORESE  
Commissioner  
ANDY TOBIN  
Commissioner

IN THE MATTER OF THE APPLICATION  
OF GRAHAM COUNTY ELECTRIC  
COOPERATIVE, INC. FOR APPROVAL OF  
THE 2016 REST IMPLEMENTATION  
PLAN, RES TARIFF, AND NET  
METERING TARIFF.

DOCKET NO. E-01749A-15-0375  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
June 14 and 15, 2016  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Graham County Electric Cooperative, Inc. ("GCEC" or "Cooperative") is certificated to provide electricity as a public service corporation in the state of Arizona.

2. On November 3, 2015, GCEC filed an application for approval of its 2016 Renewable Energy Standard and Tariff ("REST") Implementation Plan including a revised Net Metering Tariff ("Schedule NM").

3. GCEC's 2015 REST Implementation Plan was approved in Decision No.74874 (December 22, 2014).

**2016 REST Plan**

*SunWatts Rebate Program*

4. The SunWatts Rebate Program pays up-front incentives ("UFIs") to members for installing photovoltaic, small wind, solar water heating, and solar daylighting systems. Subject to available budget funds, GCEC will pay a UFI of \$0.15 per installed watt for solar and wind systems.

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5. As approved in the 2015 REST Plan, GCEC will accept only the customer-owned system model and not the leased system model for a UFI. GCEC will continue to support the Willcox Greenhouse geothermal project which is a 10-year performance-based incentive approved in 2010.

6. Projects would be rebated on a first-come, first-served basis until funding is exhausted. Projects must be approved before construction, and funds must also be available before the systems are approved. Eligible customers may be placed on a waiting list until additional funding is available. When funding is available and the project is approved for construction, rebates will be paid to the customer following a final inspection of the system. System installations are required to be performed by a licensed renewable energy contractor or electrician. In the case of solar water heaters, a licensed plumber can be used. If local conditions dictate, GCEC may allow self-installations as long as the customer has the installation inspected and verified by a licensed contractor.

7. GCEC expects that the rebate program and the Willcox Greenhouse will support the installation of approximately 318 kW of new qualifying renewable technologies in 2016.

8. The proposed budget would support the installation of 17 to 20 new solar electric or wind systems.

**The SunWatts Large-Scale Purchase Power Contract and Generating Program**

9. The SunWatts Large-Scale program would have GCEC, on its own or in partnership with others, to participate and assist in the development of large-scale renewable resources, either through purchase power agreements or by construction of utility-owned resources. Although current plans do not include a large-scale purchase power project, GCEC would continue to review potential partnerships with its all-requirement power provider Arizona Electric Power Cooperative to install large-scale purchase power generation. GCEC requests authority from the Commission to transfer unused funds between programs in the event GCEC is able to contract large-scale solar. GCEC's utility-owned PV systems [previously approved in Decision No. 73631 (January 31, 2013), Decision No. 74160 (October 25, 2013), and Decision No. 74874 (December 22, 2014)] have been fully implemented.

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10. GCEC would encourage installation of renewable energy systems on government, school, and nonprofit buildings within its service territory by offering UFIs to third-party developers or those with access to stimulus funding interested in installing renewable systems on such structures.

11. The amount of the UFI would be negotiated with the entity requesting funds from the project based on the cost of the proposed system and the available funding.

12. Although no customers have yet applied for this program, GCEC believes that it can do a better job of promoting the program. GCEC wants the flexibility to negotiate a UFI that would be attractive enough for an organization to take advantage of the program.

**Advertising and Promotion**

13. SunWatts programs are promoted in a variety of media, for example: bill inserts and stories in monthly newsletters; counter cards and posters; and participation at local events, such as the GCEC annual meeting and county fairs. Additionally, a SunWatts promotional presence outlining GCEC programs is maintained on its website at [www.gce.coop](http://www.gce.coop).

**Estimated Results**

14. Based on the programs proposed and projects currently in place, GCEC anticipates a full year's operation would generate approximately 2,630 MWh of distributed renewable energy.



**Budget**

15. GCEC's actual spending in 2014 and 2015 and proposed budgets for 2015 and 2016 are shown in Table 2 below.

16. The REST funds expected to be collected in 2016 is \$236,000. GCEC estimates that it will rollover approximately \$139,776 from the 2015 budget to 2016. With the rollover balance included, the total budget for 2016 would be \$375,776. GCEC plans to use the rollover amount to fund additional projects in the PV for Government, Schools, & Non-Profits category.

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**Renewable Energy Standard Tariff**

17. GCEC is not proposing to change the current surcharge or monthly maximums for 2016. The current surcharges and monthly maximums are shown in Table 3.

**Table 3**  
**GCEC Current Surcharges and Maximums**

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**Flexibility of Funds**

22. GCEC is requesting Commission approval to transfer unused funds between programs in the event that GCEC is able to contract for large-scale solar. Staff has recommended the following latitude for shifts in funding, which conforms to that approved for other cooperatives:

- that no more than 15 percent of a program's approved budget be affected by the shift;
- that GCEC notify Staff of any plan to shift funds no less than 60 days prior to implementing the shift;
- that, if Staff notifies GCEC in writing that it is opposed to a shift in funds, no shift would occur unless GCEC first secures a Commission order authorizing the shift; and
- within 60 days following any funds shift, GCEC must submit to Staff a revised budget including the shift of funds.

**Net Metering Tariff and Avoided Cost Update**

23. The proposed revision to the Net Metering Tariff consists of a reduction in the avoided cost rate from \$0.02906 per kWh to \$0.02410 per kWh. The Cooperative supplied Staff with the calculations used to arrive at the proposed new avoided cost. The calculation and result are reasonable.

**Compliance Requirements**

24. GCEC did not use any RECs not owned by the utility to comply with the Commission's REST rules in 2015.

25. Per A.A.C. R14-2-1812, GCEC is required to file an annual compliance report. Staff recommends that, beginning in 2016, GCEC file its annual REST compliance reports in a docket to be opened by Staff.

**Recommendations**

26. Staff has recommended that GCEC's proposed 2016 REST Implementation Plan be approved.

27. Staff has recommended that GCEC be allowed the flexibility to transfer unused funds between programs as described herein.

...

28. Staff has recommended that the avoided cost rate be set at \$0.02410 per kWh, effective on the first day of the month following the effective date of the Decision in this case.

29. Staff has recommended that GCEC's Customer Self-Directed Tariff and Renewable Energy Standard Tariff, currently on file with the Commission, remain in effect until further Order of the Commission.

30. Staff has recommended that GCEC should file in Docket Control a revised Net Metering Tariff, consistent with the Decision in this case, within 15 days of the effective date of the Decision.

31. Staff has recommended that, beginning in 2016, GCEC file its annual REST compliance reports in a docket to be opened by Staff.

#### CONCLUSIONS OF LAW

1. Graham County Electric Cooperative, Inc. is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Graham County Electric Cooperative, Inc. and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated May 18, 2016, concludes that it is in the public interest to approve Graham County Electric Cooperative, Inc.'s 2016 Renewable Energy Standard and Tariff Implementation Plan as discussed herein.

#### ORDER

IT IS THEREFORE ORDERED that Graham County Electric Cooperative, Inc.'s 2016 Renewable Energy Standard and Tariff Implementation Plan is approved as discussed herein.

IT IS FURTHER ORDERED that Graham County Electric Cooperative, Inc. is granted the flexibility to transfer unused funds between programs as described herein.

IT IS FURTHER ORDERED that Graham County Electric Cooperative, Inc.'s Customer Self-Directed Tariff and Renewable Energy Standard Tariff, currently on file with the Commission, remain in effect until further Order of the Commission.

...

1 IT IS FURTHER ORDERED that the avoided cost rate of \$0.02410 per kWh shall become  
2 effective on the first day of the month following the effective date of the Decision in this case.

3 IT IS FURTHER ORDERED that Graham County Electric Cooperative, Inc. shall file in  
4 Docket Control a revised Net Metering Tariff, consistent with the Decision in this case, within 15  
5 days of the effective date of the Decision.

6 IT IS FURTHER ORDERED that, beginning in 2016, Graham County Electric Cooperative,  
7 Inc. shall file its annual REST compliance reports in a docket to be opened by Staff.

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

9  
10 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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12 \_\_\_\_\_  
CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

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17 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
18 Director of the Arizona Corporation Commission, have  
19 hereunto, set my hand and caused the official seal of this  
Commission to be affixed at the Capitol, in the City of  
Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

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21 \_\_\_\_\_  
22 JODI JERICH  
23 EXECUTIVE DIRECTOR

24 DISSENT: \_\_\_\_\_

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26 DISSENT: \_\_\_\_\_

27 TMB:JJP:red\RRM

28  
Decision No. \_\_\_\_\_

1 SERVICE LIST FOR: Graham County Electric Cooperative  
2 DOCKET NO. E-01750A-15-0375

3 Mr. Than W. Ashby  
4 Office Manager  
5 Graham County Electric Cooperative, Inc.  
6 9 West Center Street  
7 PO Drawer B  
8 Pima, Arizona 85543

9 Mr. Thomas M. Broderick  
10 Director, Utilities Division  
11 Arizona Corporation Commission  
12 1200 West Washington Street  
13 Phoenix, Arizona 85007

14 Ms. Janice M. Alward  
15 Chief Counsel, Legal Division  
16 Arizona Corporation Commission  
17 1200 West Washington Street  
18 Phoenix, Arizona 85007

19 Mr. Dwight Nodes  
20 Chief Administrative Law Judge, Hearing Division  
21 Arizona Corporation Commission  
22 1200 West Washington Street  
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